

<u>Line Number</u>	<u>Item Requested</u>	<u>Definition and Reporting Procedures</u>
*3	Carrier Common Line Premium Earned Rev.	<p>FGC &amp; FGD revenue earned at premium rates. FGA &amp; FGB revenue earned at premium rates after end office conversion to equal access.</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"><li>● interstate (<i>interLATA</i>, <i>intraLATA</i> and <i>corridor</i>) access revenue</li><li>● revenue from revenue sharing agreements in equal access end offices.</li></ul> <p><u>Excludes:</u></p> <ul style="list-style-type: none"><li>● message toll service revenue</li><li>● FGA &amp; FGB revenue at non-premium rates in a non-equal access end office.</li></ul>
*4	Carrier Common Line Non-Prem. Earned Rev.	<p>FGA &amp; FGB revenue earned at non-premium rates.</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"><li>● revenue associated with FGA &amp; FGB access minutes in non-equal access end offices</li><li>● revenue from revenue sharing agreements in non- equal access end offices.</li></ul>
*5	Carrier Common Line Special Access Surcharge	<p>Revenue earned by applying a flat rate charge to the number of special access lines to which the surcharge applies.</p>
*6	Carrier Common Line Net Realized Un- collectibles	<p>Interstate access revenue that the company is lawfully entitled to receive but which is impossible/impracticable to collect. Amount reported must be realized uncollectibles that have actually been written off. Uncollectible revenue may be reported to the pool in the month realized by the exchange carrier.</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"><li>● amounts determined to be uncollectible</li><li>● offset for any previously reported uncollectibles that have been recovered.</li></ul>

\* Additional reporting information for this item appears on page 4-5.

<u>Line Number</u>	<u>Item Requested</u>	<u>Definition and Reporting Procedures</u>
7	Carrier Common Line Net Earned Revenue	<b><u>Calculation:</u></b> Line 3+Line 4+Line 5-Line 6
8	End User Earned Revenue	Revenue generated from the subscriber line charges.  <b><u>Includes:</u></b> <ul style="list-style-type: none"><li>● residential and single line business</li><li>● Centrex line charges</li><li>● each line provided to multiline business subscribers.</li></ul>
9	End User Net Realized Un- collectibles	Interstate access revenue that the company is entitled to receive but which is impossible/impracticable to collect. Amounts reported must be realized uncollectible revenues that have actually been written off. End User uncollectibles may be reported to the data month in which the write-off occurred.  <b><u>Includes:</u></b> <ul style="list-style-type: none"><li>● amounts determined to be uncollectible</li><li>● offset for any previously reported uncollectibles that have been recovered.</li></ul>
*10	End User Net Earned Revenue	<b><u>Calculation:</u></b> Line 8-Line 9
11	Common Line Incentive Other	Reserved for special reporting conditions. All items reported on this line must be approved in advance by NECA.
12	Common Line Other	Reserved for special reporting conditions. All items reported on this line must be approved in advance by NECA.

*\* Additional reporting information for this item appears on page 4-5.*

## **Additional Reporting Information**

### **Line 3 to 5 - Carrier Common Line Earned Revenue**

#### **Access Billing Claim Adjustments**

If an exchange carrier negotiates a reasonable billing adjustment amount with an interexchange carrier, it may report the full adjustment amount to the pool plus or minus interest. This is reported as either a reduction or increase in revenue. To make these adjustments, it is necessary to report them as DMAs or RAs to the data months to which the revenue was originally reported. Exchange carriers should notify NECA of potential significant billing adjustments prior to reporting them to the pool.

Interest billed to an interexchange carrier or other access customer for late payment of access revenue should not be reported to the pool. This is to reimburse the EC for its "cost of money" associated with the delinquent payment.

### **Line 6 and 9 Carrier Common Line Net Realized Uncollectibles**

Exchange carriers should notify NECA of significant outstanding accounts receivable by the 18th month from which they were earned. NECA will work with the exchange carrier to resolve the accounts receivable or claims. Uncollectible revenue may be reported to the pool in the month realized by the exchange carrier. It is important for exchange carriers to maintain adequate documentation of all collection efforts. Contact your region office for guidance.

Exchange carriers should not classify, in accounting terms, past due end user or CABS revenue as uncollectible until reasonable collection efforts have been exhausted. NECA's Tariff FCC No. 5 2.1.8 (A) states "The Telephone Company may, on thirty (30) days written notice to the customer by certified US Mail, take the following actions:

- refuse additional applications for service and/or refuse to complete any pending orders for service, and/or
- discontinue the provision of service to the customer."

**Exhibit 4.1**

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.  
LINE COUNT GUIDE**

	<u>1.3 USF LOOPS</u>	<u>PRESUBSCRIBED LINES</u>	<u>POOL ACCESS LINES</u>
10 TRUNKS WITH 100 STATIONS OFF CENTREX-CU	10	10	10
10 TRUNKS WITH 100 STATIONS OFF PBX	10	10	10
10-PARTY SUBSCRIBER LINES OFF REMOTE CONCENTRATOR	10	10	10
10 SUBSCRIBER LINES 1 PARTY BUS/RES	10	10	10
100 STATIONS OFF CENTREX-CO	100	100	100
100-1 PARTY SUBSCRIBER LINES OFF REMOTE SWITCH	100	100	100
2 PARTY LINE BRIDGED IN FIELD	1*	2	1
2 PARTY LINE BRIDGED IN CO	2	2	2
6-1 PARTY SUBS. OFF SUB. CXR	6	6	6
DIRECT INWARD DIAL	1	0	1
OFFICIAL COMPANY LINE	1	1	0
OFFICIAL TEST (NON REV. PROD.)	0	0	0
CONCESSION SERVICE	1	1	1
PUBLIC PAY STATION (TELCO. OWNED)	1	1	0
COPS OR COCOTS	1	1	1
SEMI PUBLIC PAY STATION	1	1	1
MOBILE TELEPHONE/PAGER	0	0	0
TOLL RESTRICTED	1	0	1
LD LOOPS (PREVIOUSLY CAT 1.35)	1	1	1
FGD UNASSIGNED "NO PICKS"	1	0	1
OFF PREMISE EXT	0/1**	0	0
SPECIAL ACCESS {e.g., WATS/800, Foreign Exchange (FX)}	0	0	0

NOTES: \* ALL MULTIPARTY BRIDGED IN FIELD COUNTED AS 1 USF LOOP  
\*\* COUNTED ONLY IF BRIDGED IN CO

## **SECTION 5**

### **Traffic Sensitive Pool and Lifeline Assistance Reporting**

This section contains line reporting instructions to help you complete the AS1080-I for the Traffic Sensitive Pool and for Lifeline Assistance reimbursement. Where there is additional information for a line number, an asterisk appears next to that line number and you can find the additional information in the narrative that follows. Your NECA Regional Office can answer further questions on developing monthly settlement amounts.

#### **Traffic Sensitive**

- Switched Access Minutes
- Switched Earned Revenue
- Switched Net Realized Uncollectibles
- Switched Net Earned Revenue
- Special Earned Revenue
- Special Net Realized Uncollectibles
- Special Net Earned Revenue
- TS Other

#### **Lifeline Assistance**

- Lifeline Connection
- End User SLC Waiver

#### **Additional Reporting Information**

- Traffic Sensitive Switched Access Earned Revenue
- Access Billing Claim Adjustments
- Meet Point Billing
- Net Realized Uncollectibles

## Data Entry Instructions for the AS1080-I

<u>Line Number</u>	<u>Item Requested</u>	<u>Definition and Reporting Procedures</u>
13	Traffic Sensitive Switched Access Minutes	<p>Traffic Sensitive Switched Premium and Non-Premium originating and terminating switched access minutes from usage billed to interexchange carriers.</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"><li>● all Feature Group A, B, C, and D interstate access minutes of use switched in a Class 5 end office</li><li>● closed end of WATS/800 service at WATS serving office</li></ul> <p><u>Excludes:</u></p> <ul style="list-style-type: none"><li>● the closed end of WATS/800 service if CO doesn't perform WATS screening function</li></ul>
14	Circuit Miles	<p>To develop total interstate circuit miles within switched access trunk groups use guidelines in Section 7, pp 7-1 through 7-44 of the NECA Pool Administration Procedures Average Schedule Company.</p>
15	Reserved	
16	ITD Circuits	<p>To develop Intertoll Dial circuits use guidelines in Section 6, pp.6-1 through 6-6 of the NECA Pool Administration Procedures Average Schedule Company.</p>

## Data Entry Instructions for the AS1080-I

<u>Line Number</u>	<u>Item Requested</u>	<u>Definition and Reporting Procedures</u>
17	Traffic Sensitive Switched Access Earned Revenue	<p>Amount charged for all traffic sensitive interstate switched access rate elements.</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"><li>• revenues from your portion of jointly provided access</li><li>• non-recurring access charges</li><li>• revenue from revenue sharing agreements</li><li>• \$5.00 pre-subscription change charge</li><li>• 800 Database query charges/revenues</li><li>• Non-Recurring Charges</li><li>• Directory Assistance</li><li>• Transport Entrance Facility</li><li>• Direct-Trunked Transport<ul style="list-style-type: none"><li>- Termination</li><li>- Facility</li></ul></li><li>• Tandem-Switched Transport<ul style="list-style-type: none"><li>- Tandem Switching</li><li>- Termination</li><li>- Facility</li></ul></li></ul> <p><u>Excludes:</u></p> <ul style="list-style-type: none"><li>• special access revenues.</li></ul> <p>* <i>Additional information for this items appears on page 5-5.</i></p>
18	Traffic Sensitive Switched Access Net Realized Uncollectibles	<p>Interstate access revenue that the EC is lawfully entitled to receive by which is impossible/impracticable to collect. Amount reported must be realized uncollectibles that have actually been written off. Uncollectible revenues may be reported to the pool in the month realized by the exchange carrier.</p> <p><u>Includes:</u></p> <ul style="list-style-type: none"><li>• amount determined to be uncollectible</li><li>• offset for any previously reported uncollectibles that have been recovered.</li></ul>

## Data Entry Instructions for the AS1080-I

<u>Line Number</u>	<u>Item Requested</u>	<u>Definition and Reporting Procedures</u>
19	Traffic Sensitive Switched Access Net Earned Revenue	<b><u>Calculation:</u></b> Line 13-Line 14
20	Traffic Sensitive Special Access Earned Revenue	Amount charged for all traffic sensitive interstate special access rate elements.  <b><u>Includes:</u></b> <ul style="list-style-type: none"><li>• all interstate special access service revenue</li><li>• non-recurring charges</li><li>• revenues from your portion of jointly provided access.</li></ul>
21	Traffic Sensitive Special Access Net Realized Uncollectibles	Interstate access revenue that the company is lawfully entitled to receive by which is impossible/impracticable to collect. Amount reported must be realized uncollectibles that have actually been written off. Uncollectible revenues may be reported to the pool in the month realized by the exchange carrier.  <b><u>Includes:</u></b> <ul style="list-style-type: none"><li>• amounts determined to be uncollectible</li><li>• offset for any previously reported uncollectibles that have been recovered.</li></ul>
22	Traffic Sensitive Special Access Net Earned Revenue	<b><u>Calculation:</u></b> Line 16-Line 17
23	Reserved	
24	TS Incentive Other	Any items reported on this line must be approved in advance by NECA Region.
25	Switched Circuit Termination	Total switched incoming and outgoing toll trunks for which the reporting EC provides terminating equipment (See Section 7)
26	Traffic Sensitive - Other	Reserved for special reporting conditions. All items reported on this line must be approved in advance by NECA.



## Data Entry Instructions for the AS1080-I

<u>Line Number</u>	<u>Item Requested</u>	<u>Definition and Reporting Procedures</u>
27	Reserved	
28	Other	Any items reported on this line must be approved in advance by NECA Region. Normally zero is reported.
29	Lifeline Connection	Amounts reported for FCC approved Lifeline Connection Assistance program.
30	End User SLC Waiver	Amounts reported for FCC approved Subscriber Line Charge Waiver Program.

## **Additional Reporting Information**

### **Line 13 Traffic Sensitive Switched Access Earned Revenue**

800 Database Query Charges/Revenues:

Amount charged for all traffic sensitive interstate switched access rate elements

#### **Includes:**

-800 database query charges/revenues

One of the following reporting options must be used:

- A. Exchange Carriers that do not own an SSP, and do not bill interexchange carriers for 800 database queries, do not report 800 database query information to NECA.
- B. Exchange Carriers that do not own an SSP, but do bill interexchange carriers directly for 800 database queries for calls from their end offices, report the net of:
  - all interstate 800 database query charge revenues billed to interexchange carriers; and
  - all interstate 800 database query charges paid to access the 800 database including transport.
- C. Exchange Carriers that own an SSP and launch and bill for 800 database queries for their end offices only, or for their end offices and for end offices of other exchange carriers, report the net of:
  - all interstate 800 database query charge revenues billed to interexchange carriers and/or exchange carriers; and
  - all interstate 800 database query charges paid to access the 800 database including transport.

### **Lines 13 and 15 Access Billing Claim Adjustments**

If an exchange carrier negotiates a reasonable billing adjustment amount with an interexchange carrier, it may report the full adjustment amount to the pool, plus or minus interest. This is reported as either a reduction or increase in revenues. To make these adjustments, it is necessary to report them as DMAs or RAs to the data months to which the revenue was originally reported. Exchange carriers should notify NECA of potential significant billing adjustments prior to reporting them to the pool.

Interest billed to an interexchange carrier or other access customer for late payment of access revenues should not be reported to the pool. This is to reimburse the exchange carrier for its "cost of money" associated with the delinquent payment.

#### **Lines 13 and 15 Meet Point Billing**

For exchange carriers participating in meet point billing arrangements, access revenues reported to the NECA pools should only be for the NECA exchange carriers' portion of the jointly provided service. If the bill rendering company charges the interexchange carrier at a rate different than NECA's, the NECA exchange carrier should be compensated at NECA rates. The NECA exchange carrier subsequently should report its share of the revenues to the NECA pools.

#### **Lines 14 and 17 Net Realized Uncollectibles**

Exchange carriers should notify NECA of significant outstanding accounts receivable by the 18th month of the settlement cycle. NECA will work with the exchange carrier to resolve the accounts receivable or claims. Uncollectible Revenues may be reported to the pool in the month realized by the exchange carrier. It is important for exchange carriers to maintain adequate documentation of all collection efforts. Contact your region office for guidance.

Exchange carriers should not classify, in accounting terms, past due end user or CABS revenues as uncollectible until reasonable collection efforts have been exhausted. NECA's Tariff FCC No 5 2.1.8 (A) states "The Telephone Company may, on thirty (30) days written notice to the customer by certified US mail, take the following actions:

- refuse additional applications for service and/or refuse to complete any pending orders for service, and/or
- discontinue the provision of service to the customer."

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## SECTION 7

### Glossary

The following definitions include AS1080-I input line items as well as various miscellaneous definitions that further explain the settlement process terminology.

#### Access Lines in Service

End of period count of all working communication facilities extending from an end user terminating in a Class 5 End Office that are or may be used for local exchange service.

For multiparty service, the number of access lines equals the number of lines (*loops*) terminating on the main frame of the central office.

The reported lines should include semi-public paystation lines, access lines used for Customer Owned Coin Operated Telephone Sets (*COCOTS*), and employee concession lines. Excluded are company official lines, public paystations lines and special access lines, i.e., FX service at either the closed or open end, WATS/800 service lines at closed end, etc.

#### Access Minutes

Carrier common line premium and non-premium originating and terminating access minutes associated with premium and non-premium earned revenues are reported to the pool from usage billed to interexchange carriers as referenced in Section 2 of the NECA Access Service Tariff FCC No. 5.

#### Average Schedule Company

An exchange carrier for which pool revenue distributions (*settlements*) are developed by using nationwide "average schedule" formulas approved by the FCC.

#### Base Factor Portion (*BFP*)

The BFP is the subscriber line revenue requirement that excludes public telephone and inside wire.



### **Carrier Common Line (CCL) Earned Revenues**

**A. Premium:** FGC & FGD revenue earned at premium rates. FGA & FGB revenue earned at premium rates after end office conversion to equal access. Includes interstate (*interLATA*, *intraLATA* and *corridor*) access revenue and revenue from revenue sharing agreements in equal access end offices. Excludes message toll service revenue and FGA & FGB revenue at non-premium rates in a non-equal access end office.

**B. Non-Premium:** FGA & FGB revenue earned at non-premium rates. Includes revenue associated with FGA & FGB access minutes in non-equal access end offices and revenue from revenue sharing agreements in non-equal access end offices.

**C. Special Access Surcharge:** Revenue earned by applying a flat rate charge to the number of special access lines to which the surcharge applies.

### **Cash Flow**

Cash flow consists of a current month's settlement minus current month's revenues. In addition support flows such as USF and Lifeline Assistance are included as well as any prior period net adjustments. See also Total Net Balance.

### **Cost Company**

An exchange carrier whose revenue distributions (*settlements*) are developed based on the individual exchange carrier's operating expenses and taxes, average net investment, etc.

### **Cost Study**

An end of period study to apportion total costs between the interstate and intrastate jurisdictions. For NECA reporting purposes, the interstate portion of the cost study provides actual figures for average net investment, income tax and expenses. NECA validates cost study data for compliance with FCC rules to ensure pool integrity. Cost studies form the basis for access rates developed by NECA to recover member company future costs.

### **Data Month**

Accounting period for which information is entered on the books of the exchange carrier. For pooling purposes there are 25 separate data months included in each monthly settlement cycle.

### **Data Month Adjustment (*DMA*)**

The difference between a prior data month estimate (*DME*) and the most recent estimated or actual data for that month. A *DMA* may only be reported for the most recent three prior months. For adjustments to data months prior to this period, a retroactive adjustment (*RA*) will be required.

### **Data Month Estimate (*DME*)**

Best estimate of the current data month. This pooling information utilizes the exchange carrier's available actual historical data and estimated future growth to forecast future periods.

### **Earned Revenue**

Revenue that the individual exchange carrier is entitled to receive for furnishing access services less any amount owed to another exchange carrier for jointly provided service.

### **End User Earned Revenue**

Revenue generated from the flat rate subscriber line charges billed to end users as referenced in Section 4 of the NECA Access Service Tariff FCC No. 5.

### **End User Subscriber Line Charge (*EU SLC*) Waiver**

Subscriber Line Charge (*SLC*) revenue that an EC waived to enable low income subscribers to obtain telephone service. Before this *EU SLC* Waiver can be reported to NECA, the exchange carrier must participate in either the FCC's:

- 0% up to 100% waiver program which must be certified or
- 50% non-certified waiver program.

Contact your NECA Regional Office for details.

### **Incentive Company**

An exchange carrier whose revenue distributions (*settlements*) are developed based on the individual exchange carrier's predetermined settlement rate. This regulation provides incentives for companies to achieve and retain profits in excess of the authorized rate of return, through the achievement of productivity increases resulting from cost containment and/or demand stimulation.

A subset III incentive pool participant is a study area for which pool settlements are based on individual performance results (settlement rate times demand). This plan does not include profit sharing or exogenous rule changes.

### **Latest View**

A view of a data month that includes all data month adjustments (*DMAs*) and/or retroactive adjustments (*RAs*) reported to the pool for that month.

### **Lifeline Connection Assistance (*LCA*)**

Waived local revenues for reduced installation charges to connect qualified single line residential subscribers and/or the waived interest expense associated with deferred payment of connection charges. Before Lifeline Connection Assistance can be reported to NECA, the exchange carrier must follow an FCC Lifeline Connection Assistance plan. Contact your NECA Regional Office for details.

### **Long Term Support (*LTS*)**

Revenue paid to the NECA CL pool by those ECs who have elected to withdraw from the NECA tariff and do not receive Transitional Support. Long Term Support enables pool participants to bill interexchange carriers the average nationwide carrier common line rate.

### **NECA Administrative Costs**

Costs incurred by NECA associated with filing and administering interstate access tariffs, billing interexchange carriers for USF and Lifeline Assistance amounts and managing the pooling and distribution of access revenues.

### **Net Balance**

A net balance is the difference between the settlement due an EC and the access revenue the EC has reported and is holding.

### **Prior Period Net Adjustment (*PPNA*)**

The sum of the effects of *DMAs* and *RAs* for prior months on the current month's cash flow.

### **Rate of Return Factor**

The settlement rate is developed using the authorized rate of return of 11.25%. The rate of return factor is used to adjust the exchange carrier's settlement rate to reflect the earnings at the pool rate of return.

### **Residue for Distribution**

Total pool funds available for distribution after the reimbursement of NECA administrative costs, Average Schedule net balance, Expenses and Other Taxes and Federal Income Tax (*FIT*).

### **Residue Ratio**

Data month's total pool residue for distribution divided by the total pool average net investment. This ratio is the return on investment for the total pool.

### **Retroactive Adjustment (*RA*)**

The difference between previously reported data and revised actual data. An RA may be reported only for the fourth through the twenty-fourth data month. Transactions for the most recent three prior months will be identified by the settlement system as data month adjustments.

### **Settlement**

The term settlement is the amount of pooled access revenue which each exchange carrier is to receive for providing interstate access service to interexchange carriers and other users. The exchange carrier's settlement includes such items as expenses and other taxes, return on investment and FIT allowance as appropriate.

### **Settlement Rate**

The settlement rate is calculated by converting the most recent average schedule formulas approved by the FCC to minute sensitive rates for Common Line, Traffic Sensitive (TS) Switched and a retention ratio TS Special. The Average Schedule formulas are adjusted for Common Line growth. Growth is calculated using the Carrier Common Line Minutes of use during the most recent 12-month period over the Carrier Common Line minutes of use in the preceding 12-month period.

At the end of the first year of the two-year incentive period, NECA will true-up the settlement rate based on trued-up demand levels, and calculate a cash flow adjustment.

### **Settlement Rate Adjustment**

The settlement rate is calculated using the most recent average schedule formulas filed by NECA and approved by the FCC.

At the end of the first year of the two-year incentive settlement period NECA will true-up the settlement rate using updated demand levels for the base period, and will calculate a settlement rate adjustment. This adjustment is calculated by taking the difference between the original settlement rate and the true-up rate, multiplied by the demand for the year. The resulting Settlement Rate Adjustment will then be distributed prospectively, in 12 monthly installments, as part of the current month cash flow. The net of all incentive company settlement rate adjustments will be incorporated into the revenue requirement of NECA's rate calculation for the next tariff period.

### **New Settlement Rate**

The new settlement rate will be calculated for the next period the most recent average schedule formulas filed by NECA and approved by the FCC.

### **Spread Adjustment Option (SPR)**

A spread adjustment may be used to report adjustments for 2 to 12 consecutive prior data months in one transaction. This is a system enhancement to ease repetitive cost study adjustments and interim reporting.

### **Study Area**

A geographical area for which settlements are computed. Generally, a study area is a company's operations within a state.

### **Total Net Balance**

The total net balance combines the current month's net balance with PPNAs, cost study cash flow adjustment, profit sharing adjustment and Universal Service and Lifeline Assistance amounts. This determines the exchange carrier cash flow for the month. A "positive" total net balance reflects money NECA will pay to the exchange carrier. A "negative" total net balance reflects money the exchange carrier will pay to NECA.

### **Traffic Sensitive Special Access (SP) Earned Revenue**

Amount charged for all traffic sensitive interstate special access rate elements, as referenced in Sections 5, 7 and 10 through 13 of the NECA Access Service Tariff FCC No. 5.

### **TS Local Switch (*SW*) Earned Revenue**

Amount charged for all traffic sensitive interstate switched access rate elements, as referenced in Sections 5, 6, 9 and 11 through 13 of the NECA Access Service Tariff FCC No. 5.

### **Universal Service Fund (*USF*)**

The Universal Service Fund reimburses exchange carriers with higher than average local loop costs. The reimbursement amount is developed in conformance with Part 36 Subpart F of the FCC's rules.

**SECTION 8**

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